FOREST VIEW ACRES WATER DISTRICT El Paso County, Colorado

FINANCIAL STATEMENTS DECEMBER 31, 2010 and 2009

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Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Statements of Net Assets Statements of Revenues, Expenses and Changes in Fund Net Assets Statements of Cash Flows	1 2 3
Notes to the Financial Statements	4
SUPPLEMENTAL INFORMATION	16
Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) Reconciliation of Budgetary Basis (Actual) to Statement of Revenues, Expenses and Changes in Fund Net Assets	17 19
Schedule of Debt Service Requirements to Maturity Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	20 22

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Independent Auditor's Report

Board of Directors Forest View Acres Water District El Paso County, Colorado

We have audited the accompanying basic financial statements of Forest View Acres Water District as of and for the years ended December 31, 2010 and 2009 as listed in the table of contents. These financial statements are the responsibility of Forest View Acres Water District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forest View Acres Water District as of December 31, 2010 and 2009, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Forest View Acres Water District has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Forest View Acres Water District's basic financial statements. The supplemental information listed in the table of contents is presented for additional analysis and legal compliance purposes and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SCHILLING & Company, INC.

May 26, 2011

-27

BASIC FINANCIAL STATEMENTS

FOREST VIEW ACRES WATER DISTRICT STATEMENTS OF NET ASSETS December 31, 2010 and 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash and investments - unrestricted	\$ 107,408	\$ 216,127
Cash and investments - restricted	88,000	88,000
Accounts receivable - customers	27,346	24,001
Accounts receivable - grants	84,438	-
Cash with County Treasurer	365	. 421
Property taxes receivable	57,955	57,616
Prepaid expenses	170_	<u> 170</u>
Total current assets	365,682	386,335
CAPITAL ASSETS		
Land	64,192	64,192
Water rights	2,281,675	2,281,675
CIP - Arapahoe Transmission Line	575,328	46,502
Water treatment plants	995,321	995,321
Water collection and distribution	1,210,491	1,210,491
Wells	691,572	691,572
	5,818,579	5,289,753
Less accumulated depreciation	1,844,578	1,746,056
Total capital assets	3,974,001	3,543,697
1	PRINCE DE LA CONTRACTOR	
OTHER ASSETS		
Bond issue costs, net of accumulated amortization	1,739	2,545
Total other assets	1,739	2,545
TOTAL ASSETS	\$ 4,341,422	\$ 3,932,577
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 216,228	\$ 65,503
Accrued interest payable	2,182	2,536
Deferred property taxes	57,955	57,616
Current portion of long term debt	69,794	64,566
Total current liabilities	346,159	190,221
LONG-TERM LIABILITIES		
Bonds and loan payable	240,871	310,665
Total liabilities	587,030	500,886
NET ASSETS		
Invested in capital assets, net of related debt	3,665,075	3,171,011
Restricted for debt service	88,000	88,000
Restricted for emergencies	1,900	1,800
Unrestricted	(583)	170,880
Total net assets	3,754,392	3,431,691
TOTAL LIABILITIES AND NET ASSETS	\$ 4,341,422	\$ 3,932,577

These financial statements should be read only in connection with the accompanying notes to financial statements.

FOREST VIEW ACRES WATER DISTRICT STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS Years Ended December 31, 2010 and 2009

Water usage and related fees \$ 478.478 \$ 428.492 OPERATING EXPENSES TAME 428.492 Operations manager 7 4,069 7 6,125 8,650 Repairs and maintenance 75,972 8,650 4,622 8,650 1,622 8,650 1,622 8,650 1,622 8,650 1,622 8,650 1,622 8,652 1,622 1,622 1,622 1,612 1,612 2,473 1,622 1,612 <td< th=""><th>reals Linded December 31, 2010 and 20</th><th>2010</th><th>2009</th></td<>	reals Linded December 31, 2010 and 20	2010	2009
OPERATING EXPENSES 74,089 76,125 Operations manager 74,089 76,125 Repairs and maintenance 75,972 88,650 Supplies and chemicals 7,767 5,422 Utilities 44,171 24,775 Water testing 10,980 17,085 Engineering 10,980 17,085 Depreciation 98,522 89,955 Other 10,186 12,280 Total operating expenses 325,527 320,629 GENERAL AND ADMINISTRATIVE EXPENSES 15,961 107,863 Utility billing 24,035 24,953 Insurance/SDA dues 7,795 8,770 Director fees 3,800 6,770 Legal 5,195 70,844 Audit 4,700 4,700 Other 3,227 2,228 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 2,901 59,350	OPERATING REVENUE Water usage and related fees	\$ 478.478	\$ 428.492
OPERATING EXPENSES Operations manager 74,089 76,125 88,655 Repeirs and maintenance 75,972 88,655 Supplies and chemicals 7,475 5,229 Utilities 41,775 5,229 Utilities 41,772 24,775 CA175	yrate, adage and related lees		
Operations manager 74,069 76,125 Repairs and maintenance 75,972 86,866 Supplies and chemicals 74,775 54,229 Utilities 44,171 24,775 Water testing 10,880 17,085 Engineering 10,880 17,085 Depreciation 98,522 38,062 Other 10,1086 12,290 Total operating expenses 325,557 320,628 GENERAL AND ADMINISTRATIVE EXPENSES District management 7,777 66,443 Utility billing 24,035 24,955 Insurance/SDA dues 7,795 3,800 -7 Legal 5,195 70,944 Audit 4,00 4,00 4,00 Other 3,227 2,289 Total general and administrative expenses 126,473 177,795 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) Neithement proceeds 59,76 <td>OPEDATING EVPENOTO</td> <td>.,,,,,,,</td> <td></td>	OPEDATING EVPENOTO	.,,,,,,,	
Repairs and maintenance 75,972 88,850 Supplies and chemicals 7,475 5,429 Utilities 44,171 24,775 Water testing 4,152 6,310 Engineering 10,980 17,095 Depreciation 98,522 89,955 Other 10,188 12,290 Total operating expenses 325,527 320,629 GROSS INCOME FROM OPERATIONS 152,951 107,883 GENERAL AND ADMINISTRATIVE EXPENSES 177,727 66,443 Utility billing 24,005 24,953 Insurance/SDA dues 7,795 8,770 Director fees 3,800 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,288 Total general and administrative expenses 26,472 (69,936) NET INCOME (LOSS) FROM OPERATIONS 26,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 8,950 59,956 Nex Experise 6,950 59,350		74.000	76 105
Supplies and chemicals 7,475 5,429 Utilities 44,171 24,775 Water testing 4,152 6,310 Engineering 10,980 17,095 Depreciation 9,552 89,955 Other 10,186 12,290 Total operating expenses 325,527 320,629 GROSS INCOME FROM OPERATIONS 152,951 107,883 GENERAL AND ADMINISTRATIVE EXPENSES 77,775 66,443 Utility billing 24,035 24,953 Insurance/SDA dues 7,795 8,770 Director fees 3,800 -7-79 Legal 5,195 70,844 Audit 4,700 4,700 Audit 4,700 4,700 Other 3,227 2,289 NET INCOME (LOSS) FROM OPERATIONS 26,472 69,936 NET INCOME (LOSS) FROM OPERATIONS 26,472 69,936 NET INCOME (LOSS) FROM OPERATIONS 26,973 3,000 NET INCOME (LOSS) FROM OPERATIONS 26,973 3,00	·		•
Utilities			•
Water testing 4,152 6,310 Engineering 10,980 17,095 Depreciation 98,522 89,955 Other 10,186 12,290 Total operating expenses 325,527 320,629 GROSS INCOME FROM OPERATIONS 152,951 107,863 GENERAL AND ADMINISTRATIVE EXPENSES T,7727 66,443 Utility billing 24,035 24,953 Insurance/SDA dues 7,795 8,770 District management 7,795 8,770 Legal 5,195 70,644 Audit 4,700 4,700 Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 69,936 NET INCOME (LOSS) FROM OPERATIONS 26,950 59,350 Debt service fees 59,96 89,984 Reimbursements 319 2,901			
Engineering		•	
Depreciation	•		
Other Total operating expenses 10,186 12,290 GROSS INCOME FROM OPERATIONS 152,951 107,863 GENERAL AND ADMINISTRATIVE EXPENSES District management 77,727 66,443 Utility billing 24,035 24,953 Insurance/SDA dues 7,795 8,770 Director fees 3,800 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 66,930 59,350 NET INCOME (LOSS) FROM OPERATIONS 62,950 59,350 Debt service fees 59,976 89,844 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income 6,865 (812) Settlement payment 6 6,865 (812) Treasurer's fees (865) (8			
Total operating expenses 325,527 320,629 GROSS INCOME FROM OPERATIONS 152,951 107,863 GENERAL AND ADMINISTRATIVE EXPENSES T7,727 66,443 Utility billing 24,035 24,963 Insurance/SDA dues 7,795 8,770 Director fees 3,800 -7 Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 5,950 59,350 Debt service fees 59,976 89,984 Relimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (806) (831) Settlement payment 9,052	·		
GROSS INCOME FROM OPERATIONS 152,951 107,863 CENERAL AND ADMINISTRATIVE EXPENSES CENERAL CONTINUATION (CONTINUATION) 17,727 66,443 Utility billing 24,035 24,953 Insurance/SDA dides 7,795 8,770 Director fees 3,800 - Legal 5,195 70,844 Audit 4,700 4,700 Audit 4,700 4,709 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 5,976 89,984 Reimbursements 5,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income 2 5,064 Settlement payment - (49,056) Treasurer's fees (850) (812) Amortization of bond issue			
GENERAL AND ADMINISTRATIVE EXPENSES District management 77,727 66,443 Utility billing 24,035 24,955 Insurance/SDA dues 7,795 8,770 Director fees 3,800 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,288 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 69,936) NONOPERATING REVENUE AND (EXPENSE) 89,984 Property and specific ownership taxes 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscollaneous income - 4,9056) Settlement payment - 4,9056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437)	Total operating expenses	320,321	320,023
District management 77,727 66,443 Utility billing 24,035 24,953 Insurance/SDA dues 7,795 8,770 Director fees 3,800 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,288 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 59,976 89,984 Reimbursements 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscoellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Incress expense (26,283) (30,437) Paying agent fees - (400)	GROSS INCOME FROM OPERATIONS	152,951	107,863
Utility billing Insurance/SDA dues 24,035 24,953 Insurance/SDA dues 7,795 8,770 Director fees 3,800 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 59,950 59,350 Debt service fees 62,950 59,350 Debt service fees 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,084 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees (26,283) <	GENERAL AND ADMINISTRATIVE EXPENSES		•
Utility billing Insurance/SDA dues 24,035 24,953 Insurance/SDA dues 7,795 8,770 Director fees 3,600 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 59,350 59,350 Debt service fees 62,950 59,350 Debt service fees 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,084 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (865) (812) Paying agent fees (26,283) (30,437) Paying agent fees 18,000 <t< td=""><td>District management</td><td>77,727</td><td>66,443</td></t<>	District management	77,727	66,443
Director fees 3,800 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 8,950 59,365 Property and specific ownership taxes 62,950 59,368 Reimbursements 319 2,901 Settlement proceeds 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - (49,056) Teasurer's fees (865) (812) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,233) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 125,001	· · · · · · · · · · · · · · · · · · ·	24,035	24,953
Director fees 3,800 - Legal 5,195 70,644 Audit 4,700 4,700 Other 3,227 2,289 Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 8,950 59,365 Property and specific ownership taxes 62,950 59,368 Reimbursements 319 2,901 Settlement proceeds 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - (49,056) Teasurer's fees (865) (812) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,233) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 125,001	• •		
Legal Audit A	Director fees	3,800	· -
Audit Other 4,700 (a.22) 4,700 (a.22) 2,289 (a.28) Total general and administrative expenses 126,479 177,799 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 8,986 59,976 89,984 Property and specific ownership taxes 62,950 59,350 59,350 Debt service fees 59,976 89,984 89,684 89,684 89,684 89,684 89,684 89,682 79,635 89,682 79,635 89,682 79,635 89,682 79,635	Legal	5,195	70,644
Other Total general and administrative expenses 3,227 2,289 NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) 80,936 59,350 Property and specific ownership taxes 62,950 59,350 Debt service fees 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income 2,773 3,000 Net investment earnings 465 974 Miscellaneous income 1 5,064 Settlement payment 2 (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees 2 (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,70			4,700
NET INCOME (LOSS) FROM OPERATIONS 26,472 (69,936) NONOPERATING REVENUE AND (EXPENSE) Separation of Expension of Expe	Other	3,227	2,289
NONOPERATING REVENUE AND (EXPENSE) Property and specific ownership taxes 62,950 59,350 Debt service fees 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 181,700 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,421,992	Total general and administrative expenses	126,479	177,799
Property and specific ownership taxes 62,950 59,350 Debt service fees 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,457) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Water tap fees 16,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,421,992	NET INCOME (LOSS) FROM OPERATIONS	26,472	(69,936)
Property and specific ownership taxes 62,950 59,350 Debt service fees 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,457) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Water tap fees 16,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,421,992	NONOPERATING REVENUE AND (EXPENSE)		
Debt service fees 59,976 89,984 Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 16,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,421,992		62.950	59,350
Reimbursements 319 2,901 Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Water tap fees 16,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	· · · · · · · · · · · · · · · · · · ·		·
Settlement proceeds 2,773 3,000 Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Water tap fees 16,000 - Water tap fees 316,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	Reimbursements		•
Net investment earnings 465 974 Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 18,1700 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	Settlement proceeds	2,773	3,000
Miscellaneous income - 5,064 Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 18,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	·		
Settlement payment - (49,056) Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 16,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992		_	5,064
Treasurer's fees (865) (812) Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 18,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	Settlement payment	-	
Amortization of bond issue costs (806) (933) Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 18,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	Treasurer's fees	(865)	
Interest expense (26,283) (30,437) Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 81,700 - Grant Revenue 181,700 - Water tap fees 16,000 - 197,700 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	Amortization of bond issue costs	(806)	
Paying agent fees - (400) Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 18,000 - Water tap fees 16,000 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	Interest expense		(30,437)
Total nonoperating revenue and (expense) 98,529 79,635 INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS 125,001 9,699 CAPITAL GRANTS AND CONTRIBUTIONS 181,700 - Grant Revenue 16,000 - Water tap fees 16,000 - 197,700 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	Paying agent fees		(400)
CAPITAL GRANTS AND CONTRIBUTIONS Grant Revenue 181,700 - Water tap fees 16,000 - 197,700 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992		98,529	
Grant Revenue 181,700 - Water tap fees 16,000 - 197,700 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	INCOME BEFORE CAPITAL GRANTS AND CONTRIBUTIONS	125,001	9,699
Grant Revenue 181,700 - Water tap fees 16,000 - 197,700 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992	CAPITAL GRANTS AND CONTRIBUTIONS	·	
Water tap fees 16,000 - 197,700 - CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992		181.700	-
CHANGE IN NET ASSETS 322,701 9,699 NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992		•	
NET ASSETS - BEGINNING OF YEAR 3,431,691 3,421,992			_
	CHANGE IN NET ASSETS	322,701	9,699
	NET ASSETS - BEGINNING OF YEAR	3,431,691	3,421,992
			U

These financial statements should be read only in connection with the accompanying notes to financial statements.

FOREST VIEW ACRES WATER DISTRICT STATEMENTS OF CASH FLOWS Years Ended December 31, 2010 and 2009

	 2010	 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 474,992	\$ 429,581
Cash payments to suppliers for goods and services	 (330,778)	 (388,901)
Net cash provided by operating activities	 144,214	 40,680
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES		
Property and specific ownership, net of fees	62,141	58,566
Debt service fees	60,117	88,277
Settlement proceeds	2,773	3,000
Reimbursements	319	2,901
Other	_	5,064
Settlement payment - Wilde	-	(49,056)
Net cash provided by noncapital financing activities	125,350	108,752
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Grant revenue	97,262	_
Contributed capital - tap fees	16,000	-
Acquisition of capital assets	(400,807)	(52,076)
Principal paid on long-term debt	(64,566)	(59,349)
Interest paid on long-term debt	(26,637)	(30,841)
Paying agent fees		(400)
Net cash (required) by capital and related financing activities	(378,748)	 (142,666)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income	465	974
Net cash provided by investing activities	465	 974
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(108,719)	7,740
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	304,127	296,387
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 195,408	\$ 304,127
Reconciliation of operating income from operations to net cash provided by operating activities		
Gain (loss) from operations	\$ 26,472	\$ (69,936)
Adjustments to reconcile gain (loss) from operations to net cash provided by operating activities:		
Depreciation	98,522	89,955
Effect of changes in operating assets and liabilities:		
Accounts receivable	(3,486)	1,089
Prepaid expenses	-	7,704
Accounts payable	 22,706	 11,868
Net cash provided by operating activities	\$ 144,214	\$ 40,680

These financial statements should be read only in connection with the accompanying notes to financial statements.

NOTE 1 – DEFINITION OF REPORTING ENTITY

Forest View Acres Water District (District), a quasi-municipal corporation and political subdivision of the State of Colorado and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado. The District was established to provide water for domestic and other public and private purposes within its service area.

The District has no employees and all operations and administrative functions are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

The more significant accounting policies of the District are described as follows:

Basis of Accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and loans is recorded as a reduction in liabilities. Tap fees and contributed assets from developers are recorded as capital contributions when received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Operating Revenues and Expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenue, Expenses and Changes in Fund Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses, and depreciation of assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The District budgeted for a General Fund, Debt Service Fund, Capital Projects Fund and Enterprise Fund for the year ended December 31, 2010. The appropriations have been combined and presented as an enterprise fund for financial statement purposes as the District's operations meet the definition of a special-purpose government engaged only in business-type activities as defined by the Governmental Accounting Standards Board.

For the year ended December 31, 2010 supplementary appropriations approved by the District modified the total appropriation from \$948,769 to \$974,769.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 1 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents.

Capital Assets

Capital assets, which include land, water rights, plant and buildings, distribution and collection systems and wells are reported by the District. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Water treatment plant20 yearsDistribution and collection systems50 yearsWells20-50 years

Tap Fees and Contributed Water Rights

Tap fees are recorded as capital contributions when received. Water rights contributed to the District by developers are recorded as capital contributions and additions to the capital assets of the District at estimated fair market value when received.

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Bond Issue Costs and Original Issue Discount/Premium

Bond issuance costs and bond premiums and discounts are amortized over the respective terms of the bonds using the effective interest method.

Reclassification

For comparability, certain 2009 amounts have been reclassified where appropriate to conform with the 2010 financial statement presentation.

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2010 and 2009, the District's cash deposits had bank balances of \$145,835 and \$183,890 and carrying balances of \$138,718 and \$175,555 respectively.

Investments

The District has not adopted a formal investment policy however, the District follows state statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

NOTE 3 - CASH AND INVESTMENTS (continued)

At December 31, 2010 and 2009, the District had the following investments:

		Fair Value		
Investment	Maturity	2010	2009	
Colorado Liquid Asset Trust (ColoTrust)	Less than 1 year	\$ 56,690	\$ 128,572	

Colotrust

At December 31, 2010 and 2009, the District had \$56,690 and \$128,572, respectively, invested in the Colorado Local Government Liquid Asset Trust (ColoTrust); an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing ColoTrust. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.00. ColoTrust is rated AAAm by Standard & Poor's.

Cash and investments are reflected on the December 31, 2010 and 2009 statement of net assets as follows:

2010	2009
\$107,408	\$216,127
88,000	88,000
\$195,408	\$304,127
	_
\$138,718	\$175,555
56,690	128,572
\$195,408	\$304,127
	\$107,408 88,000 \$195,408 \$138,718 56,690

Bond Reserves

The bond resolution relating to the 1995 Water Revenue Refunding and Improvement Bonds requires the District to maintain a reserve account for an amount equal to the lesser of the 1) the combined maximum annual principal; or 2) the maximum which may be credited to the Reserve Account and allow such an account to qualify as a reasonably required reserve or replacement fund under Section 148(d) of the Internal Revenue Code of 1986. The District has interpreted 2) above to be ten percent of the bond proceeds of the issuance. The reserve requirement at December 31, 2010 and 2009 was \$88,000. At December 31, 2010 and 2009, the District had sufficient cash and investments to meet this reserve requirement.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2010 and 2009 follows:

	Balance at December 31, 2009	Increases	Decreases	Balance at December 31, 2010
0 . ".1		Dismotor to the control of a co		
Capital assets, not being depreciated:				
Land	\$ 64,192	\$ -	\$ -	\$ 64,192
Water rights	2,281,675	-	_	2,281,675
CIP - Arapahoe Transmission Line	46,502	528,826		575,328
Total capital assets,				
not being depreciated	2,392,369	528,826		2,921,195
Capital assets, being depreciated:			÷	
Water treatment plants	995,321		-	995,321
Water collection and distribution	1,210,491	_	-	1,210,491
Wells	691,572	-	-	691,572
Total capital assets being depreciated	2,897,384		-	2,897,384
Less accumulated depreciation for:				
Water treatment plants	611,642	49,766	_	661,408
Water collection and distribution	643,647	24,209	-	667,856
Wells	490,767	24,547	<u></u>	515,314
Total accumulated depreciation	1,746,056	98,522		1,844,578
Total capital assets being				
depreciated, net	1,151,328	(98,522)		1,052,806
Total capital assets, net	\$ 3,543,697	\$ 430,304	\$ -	\$ 3,974,001

NOTE 4 - CAPITAL ASSETS (continued)

·	Balance at December 31, 2008	Increases	Decreases	Balance at December 31, 2009	
Capital assets, not being depreciated:					
Land	\$ 64,192	\$ -	\$ -	\$ 64,192	
Water rights	2,281,675			2,281,675	
CIP - Arapahoe Transmission Line		46,502		46,502	
Total capital assets,					
not being depreciated	2,345,867	46,502		2,392,369	
Capital assets, being depreciated:					
Water treatment plants	968,771	26,550	-	995,321	
Water collection and distribution	1,210,491	-	-	1,210,491	
Wells	691,572	-		691,572	
Total capital assets being depreciated	2,870,834	26,550		2,897,384	
Less accumulated depreciation for:					
Water treatment plants	561,876	49,766	-	611,642	
Water collection and distribution	619,437	24,210	_	643,647	
Wells	474,788	15,979		490,767	
Total accumulated depreciation	1,656,101	89,955	_	1,746,056	
Total capital assets being					
depreciated, net	1,214,733	(63,405)		1,151,328	
Total capital assets, net	\$ 3,560,600	\$ (16,903)	\$ -	\$ 3,543,697	

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the years ended December 31, 2010 and 2009.

	Balance at December 31, 2009	Additions	Reductions	Balance at December 31, 2010	Due Within One Year
1995 Water Revenue Refunding and Improvement Bonds Department of Local Affairs Loan not being depreciated	\$ 350,000 25,231 \$ 375,231	\$ - - \$ -	\$ 60,000 4,566 \$ 64,566	\$ 290,000 20,665 \$ 310,665	\$ 65,000 4,794 \$ 69,794
	Balance at December 31, 2008	Additions	Reductions	Balance at December 31, 2009	Due Within One Year
1995 Water Revenue Refunding and Improvement Bonds Department of Local Affairs Loan	\$ 405,000 29,580	\$ - 	55,000 4,349	\$ 350,000 25,231	\$ 60,000 - 4,566
not being depreciated	\$ 434,580	\$ -	\$ 59,349	\$ 375,231	\$ 64,566

\$880,000 Water Revenue Refunding and Improvement Bonds, Series 1995, dated February 1, 1995, with interest paid semiannually of 5.00% to 7.25%, consisting of serial bonds issued in the amount of \$295,000 due annually through 2004 and a term bond issued in the original amount of \$585,000 due December 1, 2014. Such term bond is subject to redemption prior to maturity at the option of the District on December 1, 2005 and on any interest payment date thereafter with a premium of 1.0% if redeemed on December 1, 2005, .5% if redeemed on June 1, 2006 and no premium if redeemed on December 1, 2006 and thereafter. The bond maturing on December 1, 2014 is also subject to mandatory sinking fund redemption on December 1, 2005 and on each December 1 thereafter prior to the maturity date of such bond in varying amounts beginning on December 1, 2005 through December 1, 2013.

\$45,000 Department of Local Affairs Energy/Mineral Impact Assistance Loan, dated July **31, 2005**, with interest of 5%. Annual payments of principal and interest are due beginning on September 1, 2005 and on each September 1 thereafter through 2014. The loan was obtained to aid in the funding of drilling a new well, improving the chlorine contact time and improving the water treatment facility of the District.

As of December 31, 2010 and 2009, the District had no authorized but unissued debt.

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

The District's long-term obligations will mature as follows:

Year Ended December 31,	P	rincipal	ncipal Interest		Total		
2011	\$	69,794	\$	22,058	\$	91,852	
2012		75,034		17,106		92,140	
.2013		75,286		11,780		87,066	
2014		90,551		6,440		96,991_	
	\$	310,665	\$	57,384	\$	368,049	

NOTE 6 - NET ASSETS

The District has net assets consisting of three components – invested in capital assets, net of related debt, restricted, and unrestricted.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2010 and 2009, the District had invested in capital assets, net of related debt calculated as follows:

	2010	2009
Invested in capital assets, net of related debt:		
Capital assets, net	\$ 3,974,001	\$ 3,543,697
Bond issuance and discount costs (net of		
accumulated amortization)	1,739	2,545
Current portion of long-term obligations	(69,794)	(64,566)
Noncurrent portion of long-term obligations	(240,871)	(310,665)
Invested in capital asset, net of related debt	\$ 3,665,075	\$ 3,171,011

NOTE 6 - NET ASSETS (continued)

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2010 and 2009 as follows:

	<u>2010</u>	<u>2009</u>
Restricted:		
Emergencies	\$ 1,900	\$ 1,800
Debt service	<u>88,000</u>	88,000
	<u>\$ 89,900</u>	<u>\$ 89,800</u>

NOTE 7 - WILDE SETTLEMENT

Appellee, Leigh Wilde ("Wilde") filed suit against the District in the EI Paso County District Court to enjoin the District from terminating water service to Wilde's property due to delinquent fees and charges. In addition, Wilde claimed breach of contract against the District as alleged assignee to an agreement between the District and Wilde's predecessor in interest to the Wilde property that included provisions relating to water service. The District denied that Wilde was an assignee to the subject agreement and, therefore, denied that Wilde was entitled to any water service under the agreement. The District claimed that Wilde owed the District for all of its fees and charges related to water service to the Wilde property. The District counterclaimed against Wilde for breach of implied contract and unjust enrichment because the District alleged that Wilde had no rights under the subject agreement but unjustly received water service without payment to the District.

The matter went to jury trial in July 2009. During the trial, all issues except for Wilde's breach of contract claim against the District were removed from determination by the jury. The District's claims against Wilde were determined to be matters of law to be determined by the trial court judge. In addition, calculation of damages was agreed to be determined by the parties after the parties' respective claims were determined by the jury and trial court judge.

After deliberations, the jury determined that Wilde has established the elements necessary to show that the District breached the subject agreement, including the element that Wilde was an assignee to the agreement. The District filed a Motion for Judgment Notwithstanding Verdict, arguing that the jury's verdict regarding the assignment of the agreement was contrary to the undisputed facts and law. The trial court denied the District's Motion in October 2009.

NOTE 7 - WILDE SETTLEMENT (continued)

The trial court issued its Findings of Fact, Conclusions of Law and Order on October 23, 2009 ruling that the District breached on the subject agreement by attempting to charge Wilde for water usage below 15,000 gallons per month. The trial court also found that Wilde was subject to the District's Rules and Regulations, including its fees and charges not expressly addressed by the subject agreement, and that Wilde breached the agreement by not paying the District its fees and charges relating to water service beyond the 15,000 gallons per month. The trial court found that the claims for injunction were moot. Finally, the trial court found that liquidated damages provision of the subject agreement was to be enforced against the District but not against Wilde for the respective breaches. Calculation of damages was left to counsel for the parties.

The calculated damages of \$49,056, including accrued interest, were garnished from one of the District's bank accounts on December 29, 2009 and subsequently remitted to the court. The District's Motion for Reconsideration was granted in part in January 2010. The January 2010 Order denied the District's substantive arguments of reconsideration of the October 2009 Order and subsequent Entry of Judgment, dated December 20, 2009.

The District is currently appealing the following judgment and orders of the trial court.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2010. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability and boiler and machinery coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District's management believes a significant portion of its operations qualifies for this exclusion. As a single-purpose district providing water service in exchange from fees, this is reasonable.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

Because of the many factors beyond the control of current District management, including the embezzlement of funds, failure to properly retain records and the possible destruction of records, it is impossible as of the 2005 financial statements to verify prior year's Fiscal Year Spending for the District. As such, it was impossible to definitively verify the District's compliance with TABOR's limitations. In order to rectify this situation for the future, the audited revenues and expenditures for 2005 shall become the District's "base year" for all future calculations and determinations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualification as an Enterprise will require judicial interpretation.

NOTE 10 – SETTLEMENT

On June 22, 2006, a former District employee plead guilty to theft resulting in a judgement against her that included a restitution order in the amount of \$15,000. The restitution was to be collected by the courts at a scheduled amount of \$250 per month, commencing September 5, 2006 and ending August 5, 2011 (or earlier if additional payments are collected). The District collected \$1,310, \$2,750, \$5,167, \$3,000 and \$2,773 in 2006, 2007, 2008, 2009 and 2010 respectively. As of December 31, 2010, \$-0- remains to be collected on this settlement. The payments on this settlement were recorded as revenue when received due to the uncertainty regarding the ultimate collection of the restitution.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

FOREST VIEW ACRES WATER DISTRICT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) Year Ended December 31, 2010

	В	Original udgeted mounts		Final udgeted mounts	ECONOMISM	Actual	Fina P	ance with I Budget - ositive egative)
REVENUE	_							
Water usage fees	\$	150,000	\$	150,000	\$	148,244	\$	(1,756)
Debt service fees		55,296		55,296		59,976		4,680
Availability to serve		10,000		10,000		11, 4 83		1,483
Capital replacement fee		162,432		162,432		157,337		(5,095)
Late fees		10,000		10,000		14,301		4,301
Service fee charges		152,064		152,064		147,113		(4,951)
Property tax		57,715		57,715.		57,615		(100)
Specific ownership		6,000		6,000		5,335		(665)
Tap fees		-		•		16,000		16,000
Transfer fees		1,000		1,000		-		(1,000)
Reimbursements		500		500		319		(181)
Settlement proceeds		2,625		2,625		2,773		148
Interest income		1,400		1,400		465		(935)
EIAF Grant		106,700		106,700		156,700		50,000
SSTTA Grant		25,000		25,000		25,000		-
Other		1,000		1,000		_		(1,000)
Total revenues		741,732		741,732		802,661		60,929
EXPENDITURES								
Operations								
Operations manager		85,500		85,500		74,069		11,431
Repairs and maintenance		87,000		87,000		75,972		11,028
Supplies and chemicals		16,500		16,500		7,475		9,025
Utilities		21,516		21,516		44,171		(22,655)
Water testing		1,500		1,500		4,152		(2,652)
Engineering		2,900		2,900		10,980		(8,080)
Training and education		6,500		6,500				6,500
Other		2,000		2,000		10,186		(8,186)
Administrative		_,000		2,000		10,100		(0,700)
District management and accounting		80,000		80,000		77,727		2,273
Utility billing		25,000		25,000		24,035		965
Insurance/SDA dues		8,500		8,500		7,795		705
Directors fees		-		-		3,800		(3,800)
Election costs		4,000		4,000		0,000		4,000
Legal		20,000		20,000		5,195		14,805
Audit		7,000		7,000		4,700		2,300
Treasurer's fees		1,000		1,000		865		135
Other		2,650		2,650		3,227		(577)
Bond/loan principal		64,566		64,566		64,566		(0.7)
Interest expense		26,637		26,637		26,283		354
Paying agent fees		300		300		£0,£00		300
Infrastructure projects		484,000		510,000		528,826		(18,826)
Emergency reserve		1,700		1,700		- -		1,700
Transfer between funds		1,700		1,700		- -		1,700
Total expenditures		948,769	****	974,769	***************************************	974,024		745
experimence		5.5,750		0.1,100	***************************************	01:1106T	RALLIPOUT TARROLE	770

(continued)

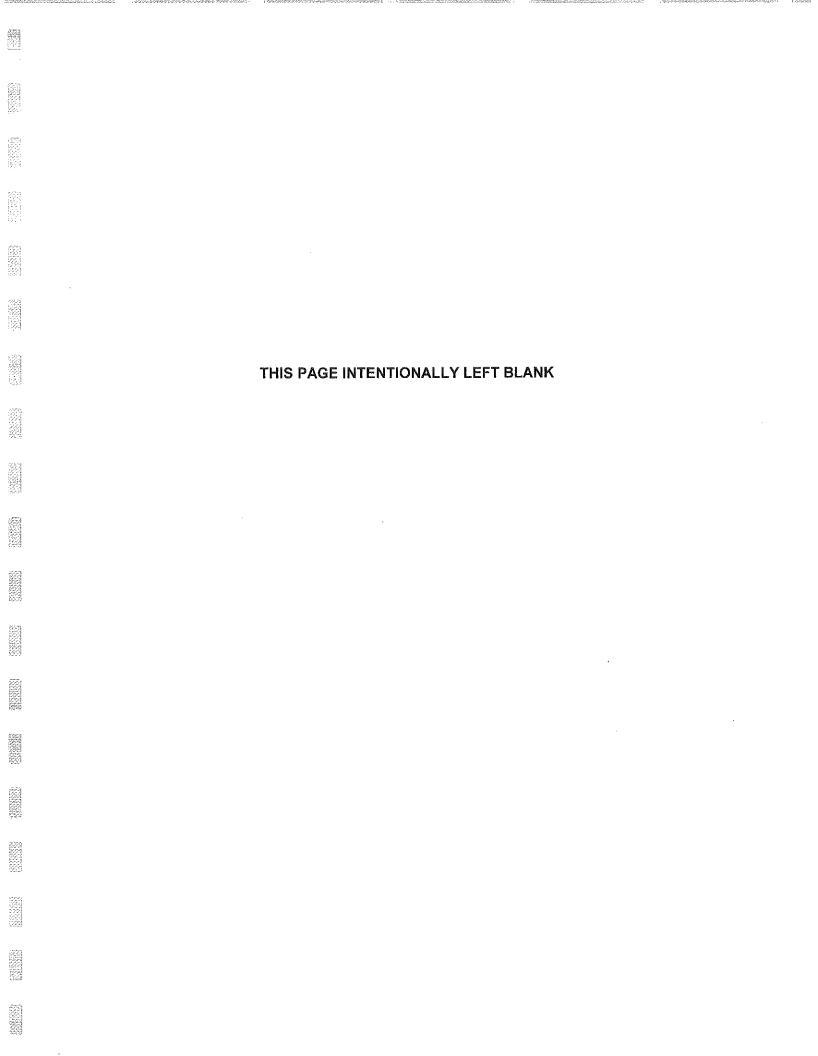
FOREST VIEW ACRES WATER DISTRICT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS) Year Ended December 31, 2010

(Continued)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
NET CHANGE IN FUNDS AVAILABLE	(207,037)	(233,037)	(171,363)	61,674
FUNDS AVAILABLE - BEGINNING OF YEAR FUNDS AVAILABLE - END OF YEAR Funds available at December 31, 2010 is comp	344,017 \$ 136,980	344,017 \$ 110,980	260,680 \$ 89,317	(83,337) \$ (21,663)
Current assets Current liabilities Current portion of long term debt			\$ 365,682 (346,159) 69,794 \$ 89,317	

FOREST VIEW ACRES WATER DISTRICT RECONCILIATION OF BUDGETARY BASIS (ACTUAL) TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS Year Ended December 31, 2010

REVENUE (budgetary basis)	\$ 802,661
Total revenue per statements of revenues, expenses and	
changes in fund net assets	 802,661
EXPENDITURES (budgetary basis)	974,024
Depreciation	98,522
Amortization of bond issuance costs	806
Capital Outlay	(528,826)
Bond and loan principal	(64,566)
Total expenses per statements of revenues, expenses and	
changes in fund net assets	 479,960
CHANGE IN NET ASSETS PER STATEMENTS OF REVENUES, EXPENSES	
AND CHANGES IN FUND NET ASSETS	\$ 322,701



FOREST VIEW ACRES WATER DISTRICT SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY December 31, 2010

\$880,000 Water Revenue Refunding and Improvement Bonds Dated February 1, 1995 Principal Due December 1

Year Ending	Interest Due June 1 and December 1								
December 31,	P	rincipal		nterest		Total			
2011	\$	65,000	\$	21,025	\$	86,025			
2012		70,000		16,312		86,312			
2013		70,000		11,238		81,238			
2014		85,000		6,163		91,163			
	\$	290,000	\$	54,738	\$	344,738			

(continued)

\$45,000 Department of Local Affairs Energy/Mineral Impact Assistance Loan Dated July 31, 2005

Principal and Interest Due September 1 Totals Principal Total Interest Total Principal Interest \$ 4,794 \$ \$ \$ \$ \$ 1,033 5,827 69,794 22,058 91,852 5,034 794 17,106 92,140 5,828 75,034 5,286 542 5,828 75,286 11,780 87,066 5,551 277 5,828 90,551 6,440 96,991 \$ \$ 20,665 \$ 2,646 23,311 \$ 310,665 57,384 368,049

FOREST VIEW ACRES WATER DISTRICT SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED Year Ended December 31, 2010

Year Ended	į.	Prior Year Assessed Valuation for Current ear Property			Propert	tv Tar	247	Percentage Collected
December 31,	1 (Tax Levy	Mills Levied	Property Taxes Levied Collected				to Levied
2007	\$	9,348,200	5.000	\$	46,741	\$	46,190	98.8%
2008	\$	10,527,930	5.000	\$	52,640	\$	52,053	98.9%
2009	\$	10,768,610	5.000	\$	53,843	\$	53,843	100.0%
2010	\$	11,523,230	5.000	\$	57,616	\$	57,615	100.0%
Estimated for year ending December 31, 2011	\$	11,590,950	5.000	\$	57,955			

NOTE: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.